

## SECURED GUARANTY

This guaranty agreement ("Guaranty") is made and executed as of December 29, 2000, by GALLATIN RIVER COMMUNICATIONS L.L.C., (hereinafter called "GRC") a Delaware limited liability company and GALLATIN RIVER HOLDINGS L.L.C. (hereinafter called "GRH") a Delaware limited liability company (hereinafter collectively called the "Guarantors") in favor of RURAL TELEPHONE FINANCE COOPERATIVE a South Dakota cooperative association (hereinafter called the "Lender").

**WHEREAS**, Lender has previously made a loan to GRC in the original principal amount of \$123,192,631 (hereinafter called "Loan NC 601 A-01") evidenced by a note and loan agreement both dated October 30, 1998;

**WHEREAS**, concurrently with the execution and delivery of this Guaranty by Guarantors, the Lender has entered into a Loan Agreement (hereinafter called the "Loan Agreement") with MADISON RIVER LTD FUNDING CORP. (hereinafter called the "Borrower") dated December 29, 2000 whereby Borrower has assumed Loan NC 601 A-01 by executing a new Note (hereinafter called the "Note") dated December 29, 2000 in the principal amount of \$124,054,065.

**WHEREAS**, concurrently with the execution and delivery of this Guaranty by Guarantors, the Lender has entered into a Secured Revolving Line of Credit Agreement (hereinafter called the "Line of Credit") with the Borrower dated December 29, 2000 in the principal amount of \$31,000,000.

**WHEREAS**, this Guaranty is executed and delivered to the Lender by Guarantors to induce the Lender to enter into the Loan Agreement and the Line of Credit and in satisfaction of a material condition precedent to such extension of credit by the Lender;

**NOW, THEREFORE**, in consideration of the Lender consenting to the Borrower assuming Loan NC 601 A-01 and extending credit to Borrower pursuant to the Line of Credit and the benefits derived by the Guarantors therefrom, it is agreed as follows:

1. Guarantors, jointly and severally, hereby unconditionally guarantee to the Lender the due, timely and full payment by the Borrower of: (a) up to \$123,192,631 of the amount due on the Note, and (b) up to \$10,000,000 of the amount due on the Line of Credit (the amounts guaranteed herein on the Note and the Line of Credit are hereinafter collectively called the "Indebtedness"), and the due, timely and complete performance by the Borrower of all indentures, mortgages, security agreements, pledge agreements, loan agreements and other written obligations and other writings executed by the Borrower or one or more of them purporting to evidence or confirm the Indebtedness or to grant or create any lien, security interest or other encumbrance upon any property of any nature to secure the payment, in whole or in part, of the Indebtedness (the Note, the Loan Agreement and the Line of Credit and all such other writings being referred to herein as the "Loan Documents"). The obligation of the Guarantors hereunder is an absolute, unconditional, continuing guaranty of payment and performance by the Borrower which will not terminate until either: (i) the Borrower shall have paid in full all amounts owing to the Lender under the Loan Documents or the Guarantors or any

co-Guarantors (if applicable) shall have paid all amounts due hereunder, or (ii) Lender shall have provided its written consent thereto.

2. The Lender may, at the Lender's option, proceed to enforce this Guaranty directly against the Guarantors (and any collateral securing performance of this Guaranty owned by the Guarantors) without first proceeding against the Borrower, any co-Guarantors, or any other person liable for payment or performance under the Loan Documents and without first proceeding against or exhausting any collateral now or hereafter held by the Lender to secure payment or performance under the Loan Documents.

3. The Guarantors waive diligence, presentment, protest, notice of dishonor, demand for payment, notice of nonpayment or nonperformance, notice of the incurrence of Indebtedness by Borrower, notice of acceptance of this Guaranty and all other notices of any nature in connection with the exercise of the Lender's rights under the Loan Documents or this Guaranty. Performance by the Guarantors hereunder will not entitle the Guarantors to any payment by the Borrower under any claim for contribution, indemnification, subrogation or otherwise, until such time as the Borrower shall have paid in full all amounts owing to the Lender and performed all of the Borrower's obligations under the Loan Documents. The Guarantors waive the right to require suit against the Borrower or any other party before enforcing this Guaranty, and all rights to setoffs and counterclaims against the Lender and agrees that any rights which the Guarantors might now or hereafter hold against the Borrowers and any co-Guarantors will be subordinate, junior and inferior to all rights which the Lender might now or hereafter hold against the Borrower and any co-Guarantors.

4. The Guarantors hereby consent and agree that renewals and extensions of time of payment, surrender, release, exchange, substitution, dealing with or taking of additional collateral security, taking or release of other guarantees, abstaining from taking advantage of or realizing upon any collateral security or other guarantees and any and all other forbearances or indulgences granted by Lender to the Borrower or any other party may be made, granted and effected by Lender without notice to the Guarantors and without in any manner affecting their liability hereunder.

5. Nothing herein contained shall limit the Lender in exercising any rights held under any one or more of the Loan Documents. In the event of any default under the Loan Documents or this Guaranty, the Lender will be entitled to selectively and successively enforce any one or more of the rights held by the Lender and such action will not be deemed a waiver of any other rights held by the Lender. All of the remedies of the Lender under this Guaranty and the Loan Documents are cumulative and not alternative. If the Lender elects to foreclose any lien created by the Loan Documents, the Lender is authorized to purchase for the Lender's account all or any part of the collateral covered by such lien at public or private sale and to credit the amount recovered first against any portion of the Loan for which the Guarantors are or may not be liable with any balance remaining to be applied in reduction of the liability of the Guarantors hereunder.

6. In the event that a petition in bankruptcy or for an arrangement or reorganization of the Borrower under the bankruptcy laws or for the appointment of a receiver for the Borrower or any of its property is filed by or against the Borrower, or if the Borrower shall make an assignment for the benefit of creditors or shall become insolvent, all Indebtedness of the Borrower shall, for the

purpose of this Guaranty, be deemed at Lender's election to have become immediately due and payable.

7. The Guarantors further agree to pay Lender any and all costs, expenses and reasonable attorneys' fees paid or incurred by Lender in collecting or endeavoring to collect the Indebtedness of the Borrower or in enforcing or endeavoring to enforce this Guaranty. All accounts, deposits, investments and property of the Guarantors with or in the hands of Lender shall be and stand pledged as collateral security for the Indebtedness of the Borrower, and Lender shall have the same right of setoff with respect to deposits, investments and other credits of the Guarantors as it has with respect to deposits, investments and other credits of the Borrower. Lender is hereby authorized at any time and from time to time, without prior notice to the Guarantors, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by Lender or owed to the Guarantors or for the credit or account of the Guarantors against any and all of the obligations of the Guarantors now or hereafter existing hereunder or under the Guaranty. Lender agrees to notify the Guarantors promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of Lender under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which Lender may have. Guarantors waive all rights of setoff, deduction, recoupment or counterclaim.

8. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) THE PERFORMANCE AND CONSTRUCTION OF THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(b) GUARANTORS HEREBY SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY. GUARANTORS IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE GUARANTORS AND THE LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9. If any payment or thing of value should be received and accepted by the Lender in payment of any Indebtedness or obligation of the Borrower under any of the Loan Documents and it should subsequently be determined or adjudged that such payment be void or voidable under any law or statute now or hereafter in effect the receipt of such payment by the Lender shall, as to the Guarantors, be deemed a provisional receipt and if any such payment should be avoided or set aside under any such law or statute the Guarantors shall be and remain liable to the Lender in respect thereof as if such payment had not been received by the Lender notwithstanding any release or discharge of this Guaranty to the Guarantors issued or granted by the Lender in the

belief or assumption that its receipt of such payment was absolute and not subject to any avoidance.

10. The Guarantors represent and warrant to the Lender as of the date of this Guaranty that:

10.01 Obligations. The aggregate amount of obligations guaranteed hereunder shall not exceed the maximum amount allowed under any mortgage, indenture or agreement of any kind entered into by or affecting the Guarantors at the time Lender may seek payment under this Guaranty. During the term of this Guaranty, the Guarantors will not, without the written consent of Lender, make any investment, loan, deposit, advance, guaranty or other obligation which would cause the total aggregate indebtedness guaranteed hereunder to exceed said maximum allowable amount.

10.02 Good Standing. Guarantors are limited liability companies duly organized, validly existing and in good standing under the laws of the state of their organization, have the power to own their property and to carry on their business, are duly qualified to do business, and are in good standing in each jurisdiction in which the transaction of their business makes such qualification necessary.

10.03 Authority. Guarantors have corporate power and authority to enter into this Guaranty, to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, all of which have been duly authorized by all necessary and proper corporate or other action, and no consent or approval of any person, including, without limitation, stockholders and members of Guarantors and any public authority or regulatory body, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

10.04 No Conflicting Agreements. The execution, delivery of and performance by Guarantors of this Guaranty, and the transactions contemplated hereby, will not violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the charter or by-laws of Guarantors, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Guarantors are a party or by which they or any of their property is bound.

10.05 Litigation. There are no judgments, claims, actions, suits or proceedings pending or, to the knowledge of Guarantors, threatened against or affecting Guarantors or their properties, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, which may result in any material adverse change in the business, operations, prospects, properties or assets or in the condition, financial or otherwise, of Guarantors, and Guarantors are not, to their knowledge, in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which would have a material adverse effect on Guarantors.

10.06 Taxes. Guarantors have paid or caused to be paid all federal, state and local taxes to the extent that such taxes have become due, unless the Guarantors are contesting in good faith any such tax. Guarantors have filed or caused to be filed all federal, state and local tax returns which are required to be filed by Guarantors.

10.07 Licenses and Permits. Guarantors have duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate their property and business that are required by federal, state and local laws of the jurisdictions in which Guarantors conducts their business and each remains valid and in full force and effect.

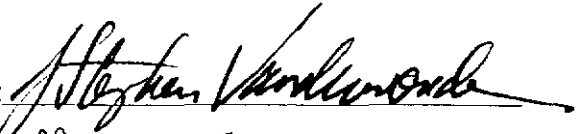
10.08 Required Approvals. No license, consent, permit or approval of any governmental agency or authority is required to enable the Guarantors to enter into this Guaranty or to perform any of their obligations provided for herein except as disclosed to Lender and except with respect to regulatory approvals which may be required in connection with the Lender's enforcement of certain remedies hereunder.

11. If any provision of this Guaranty is held to be invalid, illegal or unenforceable in any respect or application for any reason, such invalidity, illegality or unenforceability will not affect any other provisions herein contained and such other provisions will remain in full force and effect. This Guaranty will be binding on the Guarantors and all heirs, personal representatives, successors and assigns of the Guarantors and will inure to the benefit of the Lender and all successors and assigns of the Lender. The Guarantors consent to the assignment of all or any portion of the rights of the Lender hereunder in connection with any assignment of the rights of the Lender under the Loan Documents without notice to the Guarantors. If this Guaranty is executed by more than one person, each term herein contained will be jointly and severally binding on each such person.

12. The obligations under this Guaranty are secured by a Modification To Mortgage and Security Agreement dated as of even date hereof by and between GRC as Mortgagor and Rural Telephone Finance Cooperative as Mortgagee, as it may be supplemented, amended, or consolidated from time to time as well as by a Modification To Guarantors' Mortgage and Security Agreement dated as of even date hereof by and between GRH as Mortgagor and Rural Telephone Finance Cooperative as Mortgagee, as it may be supplemented, amended, or consolidated from time to time.

IN WITNESS WHEREOF the Guarantors have executed and delivered to Lender this Guaranty as of the day and year first above written.


GALLATIN RIVER COMMUNICATIONS L.L.C.

By:   
Title: Manager

(SEAL)

Attest:   
Secretary

GALLATIN RIVER HOLDINGS L.L.C.

By:   
Title: Manager

(SEAL)

Attest:   
Secretary